European Audit Committee Leadership Network

EACLN SUMMARY OF THEMES

Investor perspectives, ethics of AI, French politics, a dialogue with CFOs, and European competitiveness

October 2024

On September 19 and 20, 2024, members of the European Audit Committee Leadership Network (EACLN) met in Paris to discuss:

Investor Perspectives with Christine Chow, Vice Chair, International Corporate Governance Network

The Ethics of AI with Franziska Janorschke, Global Head Data Privacy, Digital & AI Compliance, Novartis

The State of Politics in France with Nicolas Beytout, President-Founder and Editor, L'Opinion

The Audit Committee's Relationship with the Finance Function: a Dialogue with CFOs with Dominik Asam, CFO, SAP and Aradhana Sarin, CFO, AstraZeneca

European Competitiveness with Famke Krumbmüller, EMEIA Leader, Geostrategic Business Group, EY

For a list of meeting participants, see Appendix 1 (pages 12-13).

This *Summary of Themes*[1] provides an overview of the following discussions:

EY Building a better working world

Investor Perspectives

Members were eager to discuss the shifting information needs of investors and how to identify and address their concerns. Christine Chow of the International Corporate Governance Network shared her perspectives on today's investor landscape. Here are some of the key themes that emerged from the discussion:

- **Investors are increasingly eager to connect with audit chairs.** They see audit committees as key for creating and protecting long-term value, and want to discuss these goals with committee chairs. Dr. Chow said, *"Increasingly, investors request meetings with audit committee and nominating committee chairs, and in financial services, the risk committee chair as well. While it's not typically the audit committee chair's role to engage with investors, there are benefits to discussing specific topics with them."* Although some members supported more engagement between investors and the wider board, others shared concerns about blurring the lines between board and management, and about information that might be inadvertently exchanged with investors. *"I wouldn't extend engagement with investors to every board member; it would be hard to manage and could cause of loss of focus, becoming messy,"* one member said*. "Targeted communication channels help maintain clear messaging."*
- **The narrative must be clear and adapted to resonate with each investor.** *"Institutional investors have specialized fund managers and buy-side analysts with deep knowledge of sectors and companies, but also have governance professionals and generalists. These two groups are often in an internal battle. This situation can lead to mixed messages and confusion,"* said a member. She asked, *"How do companies navigate this complex landscape and ensure their narratives are clear and coherent?"* One member underscored the importance of a coherent message, noting that it should be tailored for each investor: *"It's important to recognize that investors in the US differ from those in Europe. You must take time to understand each investor's priorities and ensure they are aware of your actions. This demonstrates that you're living up to your commitments."* When investors hold polarizing views on topics like ESG, Dr. Chow recommended being deliberate with language: *"Avoid using terms that carry negative connotations; instead, focus on the actual issues. This approach can help minimize unnecessary tension."*
- **Recommendations from proxy firms are under more scrutiny**. The involvement of proxy advisors makes communication more challenging:
  - **Discussions with investors can be constrained by proxy firm recommendations.** *"I engage with shareholders annually through a governance roadshow with both proxy agencies and major investors,"* one member said. *"There can be tensions between proxy advisors, governance analysts, and product managers, who are expected to have a deeper understanding of the company. Interactions can feel like a box-ticking exercise, making meaningful dialogue challenging. They are often constrained by rigid principles, largely based on ISS and Glass Lewis guidelines, which can hinder open discussion. Once asset managers have established their criteria, it's difficult to persuade them to consider alternative viewpoints."*
  - **Boards need to drive the conversations with investors and proxy firms.** *"In the past,*

experienced individuals engaged with asset managers and analysts on governance and forward-looking strategic issues," said Dr. Chow*. "However, due to shifts in the stewardship landscape, companies now engage with a diverse range of investor and proxy firm executives, with some more experienced than others."* She added, *"A general manager at a company I've had a long and positive relationship with acknowledged that the company used to let trusted investors guide discussions, finding the open dialogue added value. But with the explosion of ESG and many new market entrants, the company now needs to both develop a stronger narrative and conviction around its financial materiality factors and guide the investors. Otherwise, the company may lack a cohesive narrative about what it is delivering."* One member noted, *"We've realized proxy firms often lack insight into our activities and achievements. For instance, they may not recognize our progress in reducing CO_2 and methane emissions. This highlights the need for clearer communication, but it's crucial to approach it in a way that builds trust. The challenge lies in being persuasive without coming across as pushy; striking that balance is essential for effective communication."* On this topic, Dr. Chow believes that engaged investors have a crucial role in informing proxy advisory firms when they show poor judgment, as these investors have a deep understanding of the companies they invest in. On a few occasions, she was able to amend the proxy adviser vote recommendation in favor of the company.

- **Early engagement with proxy firms can help with future communications.** *"Engaging early can reveal that some of your seemingly clear policies may not be as straightforward as you thought,"* one member said. *"While ISS or Glass Lewis may still vote against certain proposals, the questions they raise can provide insights that help refine your final formulation, making it more likely to gain broader support from shareholders. This process can enhance clarity and strengthen your position."*
- **International teams within proxy firms are often poorly aligned.** Proxy advisors operate with varying degrees of independence across teams and regions, creating challenges for global companies. One member said, *"The challenge with proxy agencies is evident: If my company were in the US, we believe our pay scheme would receive ISS's support. However, it doesn't get that support in the UK."* Another noted, *"We're educating proxy advisors, but they aren't bound by uniform standards. They provide different recommendations in countries like Germany and France, leading to a fragmented approach that poses significant challenges for global companies."*

- **Investors want assurance on sustainability information.** Investors and stakeholders increasingly demand transparent and reliable nonfinancial reporting, raising questions about assurance. Dr. Chow acknowledged the concern: *"The most common question I receive is about what constitutes reasonable and limited assurance and what's realistically achievable. It's essential to identify what is truly material and feasible to assure. This involves educating teams on the ground to enhance existing workflows and ensure data collection is meaningful and consistent. Once that foundation is in place, we can explore what can be effectively assured."*

  But she emphasized the need to balance assurance against sustainability objectives: *"Assurance primarily assures the process, not the outcomes,"* she observed. *"The more resources we allocate for designing assurance frameworks, the greater the risk of distracting companies from their core work.*

While some level of assurance is necessary, we need to make sure it is credible and that internal access allows for the right behaviors to develop."

- **Investors are increasingly engaging on the opportunities and risks of AI.** *"Integrating AI into your cybersecurity strategy can strengthen your company's risk management,"* Dr. Chow said. *"With organizations like the SEC recognizing AI as a material risk, it's crucial to approach it from that perspective."* But one member pointed out that it may be too soon to fully explore the AI topic in discussions with investors: many board members themselves still require substantial education on AI, and companies are just beginning to develop frameworks to manage it—let alone composing a clear and coherent message for investors. *"AI is incredibly diverse and complex, making it challenging to fully understand,"* this member observed. *"While a governance framework needs to be established, even experts and regulators struggle to define what that framework should look like. I still haven't found my comfort level in ensuring that we, as board members, have a solid grasp of AI's implications."*

The Ethics of AI

As AI becomes integrated into more business products, services, and operations, companies are increasingly confronted by the ethical implications of this rapidly advancing technology. Members approach the ethics issue from disparate vantage points; some serve on the boards of companies that produce and sell AI, others are simply users of AI, and some operate in both capacities. Regardless, the introduction of the EU AI Act makes establishing a framework for the ethical use of AI critical for any firm that uses AI. Members met with Novartis's Franziska Janorschke to discuss approaches to responsible AI and considerations for the boards of large global companies.

Novartis's eight commitments to the responsible use of AI.

Ms. Janorschke explained Novartis's guiding principles:

- **Empower humanity.** *"Respecting humanity is the lead point. No debate around it. The human must remain in the loop, with a focus on respecting human rights."*
- **Accountability.** *"We should be accountable for what we're doing. We must think about what we want to achieve."*
- **Mitigate bias.** *"The data points we use are still made by humans, which means they carry an inherent risk of introducing bias. We all have biases. It's important to stay as neutral as possible. We need to double-check the output we receive to ensure it is neutral. AI amplifies existing data, so if bias is already present in the data, AI increases that risk."*
- **Respect privacy.** *"As we use personal data in the AI context, we must be rigorous in our risk management processes to protect it effectively."*
- **Transparency and explainability.** *"Transparency is crucial. When employing AI, the outputs we use are always subject to human oversight. And we believe it's important to highlight that AI has been involved in the process. Explainability, however, is a challenge. As AI solutions become more*

sophisticated, it becomes harder to explain how the algorithms really work. 'Black boxes' exist, and it's a real challenge. We need to stay on our toes to explain how the system works, from where it started to the final result, and what factors were considered."

- **Safety and security.** *"Cybersecurity is a critical concern with AI. We need to make sure that data remains secure and doesn't leave our premises."*
- **Environmental sustainability.** *"Discussions often focus on the responsible aspects, such as energy consumption, but labor is also a key factor. People input data points, and respect for their efforts isn't always considered."*
- **Review, learn, and adapt.** *"Our environment is evolving so quickly that we don't always have time to continuously go back, adapt, and review as much as we'd like. But we should. We work with lots of colleagues from other functions to then integrate these changes into our policy structure and framework."*

Members reflected on their ethical responsibilities regarding AI. A few key themes emerged:

- **Human oversight is critical and requires ongoing skill development.** *"We need to accept that some tasks, because they can now be performed with such high accuracy by AI, may never be performed by humans again,"* said EY's Marie-Laure Delarue. *"The real challenge is elevating what humans focus on. It's crucial that people who review the AI output are still capable of identifying shortcomings in the tools."* Ms. Janorschke agreed, emphasizing the role of law: *"Human-centricity must be central in the EU AI Act. AI controlling and feeding on itself could escalate into something dangerous. There must be policies ensuring humans stay involved."* Members discussed the risk of becoming overly reliant on AI, stressing that humans must continue to master oversight and critical judgment. One asked, *"What happens in fifteen years when the younger generation, who may skip the experiences we've had, takes over? Where will their knowledge and experience come from to provide the same level of oversight that we can offer today?"*
- **AI can predict results accurately, but real-world validation is still necessary.** Grasping the practical applications of AI is essential for an ethics framework. *"It's important to carefully choose when and where to use AI,"* one member noted. *"For example, in the pharmaceutical industry, AI can help speed up the process of selecting patients for clinical trials by identifying those who fit specific criteria. AI can even predict the outcomes of the trials. The trials still need to be conducted physically to demonstrate actual results. AI can assist, but the trial must still be carried out to confirm the actual results."*
- **Data retention is important for accountability.** State-of-the-art information management allows businesses to revisit and audit AI models years after their launch, and to ensure they were trained on appropriate, non-biased, and lawful datasets. Without a clear archiving system, critical information could be lost, making it difficult to trace decisions or address issues like bias. As Ms. Janorschke emphasized, *"We make sure to lock in information from the beginning. If our business wants to start an AI solution, it has to go through a process—register it, and have it owned by our IT function. All the necessary information must be documented. Regular monitoring and checks help confirm that everything is in place and, ideally, this will allow us to go back five years later for review."*

- **The rise of synthetic data is obscuring transparency and weakening trust.** Verifying the authenticity of data used to train AI systems helps prevent the misuse of fabricated or manipulated information—fake data about product performance, for example, or fraudulent customer metrics. More and more rigor is needed in detecting data fraud. *"From our perspective, the emergence of synthetic data is one of the key risks we face,"* said EY's Hermann Sidhu. *"Some actors are investing heavily in synthetic data, with rumors of companies even attempting to list on secondary stock exchanges using entirely fictitious data. In addition to our standard fraud procedures, we now use a digital authenticity tool which sits atop our existing processes. It examines the 'stamp' of the data—how it was created, who created and verified it—which will be integrated into fraud detection protocols."*
- **AI should hold a permanent place on the audit committee agenda.** *"We get the feeling we don't give AI enough time, there's so much to do at the audit committee,"* one member said. Another member added that AI is discussed within both the audit committee and the risk committee to ensure adequate focus: *"If the audit committee doesn't have enough time to cover it on the agenda, the risks might get overlooked. There's overlap between attendees, with some sitting on both the audit and the risk committees. We share the risks to ensure they are discussed. If one of us doesn't have time during a meeting, we ask the other to take it on. It's very flexible."*
- **Ethics will continue to evolve.** *"We're on a journey. The answers we have today won't be the answers of tomorrow,"* one member acknowledged. *"The bias we recognize today might not be the bias of tomorrow. Continuous oversight is important."*

The State of Politics in France

France plays a pivotal role in shaping European political and economic development. Until recently, the dominant parties in the French Republic had effectively marginalized populist far-right groups. However, in June, the National Rally party (RN), led by Marine Le Pen, achieved a surprising victory in the European Parliament elections, prompting President Emmanuel Macron to call for snap national elections. These elections resulted in a fragmented National Assembly, where both far-left and far-right parties gained influence, and no party secured an outright majority. Macron's Ensemble party finished second to the left-wing New Popular Front and narrowly ahead of the RN.

The division of responsibilities and powers between the French president and prime minister is complex. The president commands the armed forces and wields significant authority over foreign policy, while the prime minister oversees domestic policy. On September 5, Michel Barnier was named the new prime minister, succeeding Gabriel Attal, who had overseen a caretaker government since the elections.

Members met with journalist and political commentator Nicolas Beytout to explore the roots of the current political turmoil, assess France's potential economic and political trajectory under Barnier, and consider the implications for both the French economy and the broader European context.

The discussion centered on the ramifications of Macron's recent decisions. Mr. Beytout identified three major miscalculations by Macron: first, his counterproductive use of political maneuvers to consolidate power, with the surprising appointment of the 34-year-old Gabriel Attal as prime minister in January, which failed to undermine Le Pen's influence; second, his continued centralization of power, despite poor polling; and third, his underestimation of the left's ability to unite with the far left, which ultimately produced an unexpected alliance in parliament.

The conversation addressed the unprecedented instability of the French political scene, characterized by a weakened center and the ascendance of extreme parties on both sides. The current minority government (it derives from no one party or coalition and is viewed with suspicion by the largest blocs) faces constant challenges from these factions, leading to indecision and a focus on posturing for potential new elections.

Mr. Beytout noted that economic challenges further complicate the landscape, including high public debt, deficits, and taxation issues. He remarked that Macron's failure to address these problems, along with rising insecurity and immigration concerns, has further eroded his standing. The discussion also examined how these political dynamics affect France's influence in Europe, its relations with key partners like Germany, and its trade posture with China.

Barnier was in the process of selecting his cabinet even as the session unfolded. Later that evening, news outlets began reporting Barnier's proposals for the new cabinet.

The Audit Committee's Relationship with the Finance Function: a Dialogue with CFOs

A close relationship between the audit committee and the finance function is critical in today's complex regulatory and economic environment. This partnership with the CFO not only ensures robust financial oversight, but also enables timely responses to emerging risks and compliance demands. Members were joined by CFOs Dominik Asam and Aradhana Sarin to discuss the relationship. Several members in attendance had themselves served as CFOs and were able to offer insights. Key themes included the following observations:

- **CFO priorities have evolved.** The role of the modern CFO has shifted from a guardian of financial data to a strategic leader. Priorities for today's CFOs include:
    - **Broader risk mitigation and nonfinancial compliance.** Proactively managing and anticipating all company risks has become essential for CFOs in ensuring compliance and safeguarding the organization. As Mr. Asam put it, *"We have to navigate numerous regulatory issues, such as the Corporate Sustainability Reporting Directive (CSRD), stricter internal control demands, cloud compliance, the EU AI Act, cybersecurity regulations, and export control measures like Russia sanctions. These regulations impact us significantly, especially in certain financial sectors."* Ms. Sarin agreed: *"As CFO, balancing priorities is key. I categorize risk mitigation and firefighting as primary responsibilities. This involves anticipating challenges and managing risks, whether related to cybersecurity, geopolitical issues like those with Russia and China, or sustainability. This also ties into our reporting."*
    - **Business growth and innovation.** *"We need to focus on growth,"* said Mr. Asam. Today, CFOs are expected to be partners in identifying growth opportunities and supporting innovation. Ms. Sarin emphasized the importance of collaboration: *"Business growth becomes increasingly complex as organizations expand. Many companies have highly matrixed structures, requiring finance to influence across many diverse areas within the company. Increased collaboration is*

essential."

- **Productivity and transformation.** Fostering a culture of continuous improvement is essential to driving operational efficiency and enhancing productivity across teams, and CFOs are increasingly integral to this process. *"Productivity and transformation depend on the company's strengths. Our strength lies in innovation, but historically, AstraZeneca has not prioritized driving productivity or operational efficiency. Changing this mindset and fostering collaboration among procurement and various different functions is vital,"* said Ms. Sarin. *"Continuous improvement is a key goal. Balancing these priorities with my day-to-day responsibilities is challenging but essential."* Mr. Asam agreed: *"This is especially important* as *many companies are experiencing tremendous disruption in their business models."*

- **Strong CFO-audit chair relationships are based on respect, candor, and trust.** As regulatory demands rise and stakeholders seek greater transparency amid rapid technological and risk changes, the connection between CFO and audit committee has never been more vital. *"The relationship between the CFO and the audit committee chair is like any other—it must be built on trust and respect. Everyone brings different perspectives, but we all aim to do what's best for the company,"* said Ms. Sarin. *"I believe in transparency and feel comfortable reaching out to my audit chair whenever there's an issue. I appreciate the willingness to discuss difficult topics openly. I value the direct feedback and clear communication in our work."* A member concurred: *"I value transparency and welcome problems; what I dislike is not knowing about them. The important thing is ensuring nothing falls through the cracks."* A second member summed it up: *"No surprises."*

- **Audit chairs need to know other finance executives.** One audit chair stressed the importance of building relationships across the finance function: *"I meet regularly not only with the head of internal audit but also with key members of her team and compliance. Building these relationships is essential and is rooted in trust. If I felt unable to visit the businesses as I do, it would raise concerns for me about the culture and the organization."* Ms. Sarin agreed, *"It's valuable that the audit chair invests time visiting various sites, getting to know people, understanding risks, and focusing on critical issues."*

- **The audit chair needs to be a reliable pillar of support for the CFO.** The group highlighted ways to buttress the CFO role:

  - **Reinforcing hard decisions.** *"Having been in this role for a while, I understand the pressure to drive performance, but I'm clear: I'd rather not do business than engage in unethical practices,"* Mr. Asam said. *"While there are personal benefits when things are going well, there are also personal risks when things go wrong. The audit committee is here to guide and support the CFO, ensuring that such risks don't occur. When the audit committee scrutinizes our work, it serves as my own insurance policy. The committee helps me advocate for necessary internal control or other measures, even when they're unpopular."* As one member summarized it: *"Part of my role is to reinforce the tough messages that the CFO needs to deliver."*

  - **Aligning expectations.** *"One frustrating issue is a lack of clarity from the audit committee,"* said Mr. Asam. *"It's crucial for the chair of the audit committee to establish a unified view of what the* *expectations are for management—whether the audit committee requires a detailed report or a high-level overview. A cacophony of differing ideas about deliverables can lead to significant problems. As CFO, it's essential that we have our ducks in a row and are prepared to provide the necessary information at the right level. Clarity on these expectations is key."*

- **Supporting a new CFO.** Several members described playing a helpful role when a new CFO joined the company. *"As audit committee chair, I've been asked to take on a slightly different role that includes mentoring and providing early feedback to the new CFO,"* one said. *"The goal is to help them land on their feet quickly and offer guidance on priorities. Even new CFOs will have doubts and challenges, and the audit committee is a good place to start sharing those concerns."* Another audit chair added, *"They asked me to meet with the new CFO even before his appointment was announced to see if I could mentor him in the role."*
- **Early involvement helps the audit chair provide the right support.** *"Involve us as early as possible,"* one member said. *"It can be very informal; call us. It's important to have that open and transparent relationship."*

A forthcoming ViewPoints *will further explore this relationship, drawing insights from discussions held with EACLN, ACLN, and ACN members.*

European Competitiveness

Europe's global market power has diminished in recent decades. European leaders and companies are eager to reinvigorate Europe's economic standing in the face of rising protectionism, military and political tensions, and global economic competition. Reports from figures like Mario Draghi[2] and Enrico Letta[3] have proposed reforms to further unify and reform European markets to address these challenges and enhance Europe's competitive edge.

Members were joined by EY's Famke Krumbmüller to discuss the factors contributing to declining global competitiveness and how Europe can regain its footing. The group made the following observations:

- **Europe is less attractive to investors.** In 2023, the value of greenfield foreign direct investment in Europe dropped by nearly 20%, in stark contrast to investment activity levels in the US, China, and Asia as a whole.[4] As Ms. Krumbmüller noted, *"In EY's 2024 European attractiveness survey, companies said the top three factors policymakers need to address to maintain Europe's appeal to foreign investors were financial market liquidity and access to capital, the strength of the domestic market, and energy costs. Businesses consistently point to these as key concerns."* She added, *"Over the last three years, investors have identified the main risks as increased regulatory burdens, volatile energy prices and supply, and political instability."*
- **The EU suffers from conflicting priorities.** *"There are contradictions in what the EU is trying to achieve,"* said Ms. Krumbmüller. *"The EU is facing a trilemma: trying to undergo an energy transition while also becoming more independent from the rest of the world, and all while maintaining competitiveness. Under current circumstances, achieving all three at once seems impossible. So, which one should be prioritized?"* She added, *"When diving into economic security, the contradiction emerges in discussions about raw materials. The EU may reach agreements with other parts of the*

world to access critical minerals needed for the energy transition, but China controls 90% of global refining capacity. Why? Because stricter environmental standards in the EU push refining activities elsewhere. This creates a dependence on China while outsourcing the environmental impact to other regions."

- **Europe lacks a supportive ecosystem for entrepreneurship.** While American insolvency laws promote a "fresh start" for debtors, European systems prioritize creditor protection, making it harder for entrepreneurs to take risks and attempt new ventures after a setback. *"It's not necessarily a lack of entrepreneurial spirit, but rather the attitude towards it,"* one member noted. *"In many European countries, this attitude differs from that in the US, China, or India, where entrepreneurial spirit is admired. This kind of admiration isn't as widespread across Europe."* Mr. Sidhu agreed: *"In Silicon Valley, the ecosystem celebrates both success and failure. In fact, failure is often celebrated as much, if not more, than success. That support system, which encourages belief in the person and accepts failure as part of the journey, isn't in place in Europe."*
- **European regulation is complex and extensive**. *"Bureaucracy and tax systems can't be overlooked,"* one member commented. *"Even when there is potential for strong entrepreneurship, people often leave after a short time—or don't even start—and head straight to the US or Saudi Arabia."* She added that this deters investment into Europe: *"Over the last two years, much of the investment by German companies has been directed abroad, not within Germany. That's incredibly dangerous."* Members noted that Europe's stringent regulation can hinder companies' ability to compete with organizations that benefit from more permissive regulatory regimes. One noted that regulation has multiplied over decades and that many European entrepreneurs have relocated to the US. *"Europe has been a pioneer in green initiatives, with the strongest regulatory bodies and the first to push for green energy and carbon initiatives,"* she observed. *"So why aren't all European automotive companies making electric vehicles? They were among the first to understand its importance. The issue isn't that we don't see or know what others are doing, but that we're slow to take action. Why is that?"* Another audit chair responded, *"Look at critical technologies—China is leading in most of them. The US is ahead in seven or eight, but Europe is leading in none. Look at how many Chinese companies are producing electric vehicles. How can Europe survive with figures like these?"*
- **The public and private sectors need to work together.** *"Collaboration between the public and private sectors is essential to achieving our shared goal,"* Ms. Krumbmüller said. "*We all want a competitive Europe, and engaging with all stakeholders is the key to making that happen."* But one member raised concerns about the perceptions challenging this kind of engagement: *"I understand and agree, but the concern is that some people perceive this kind of communication between the public and private sectors as lobbying, which carries a negative connotation."*
- **European integration is incomplete.** *"The fragmentation of capital markets in Europe is a major issue. It was evident during the sovereign debt crisis of the 2010s, and although progress has been made towards a banking union, it's still not fully completed,"* Ms. Krumbmüller said. *"The core dilemma in the EU today is that, while the ideal solution would be greater integration and a common European approach (while respecting national differences), the reality is quite the opposite. National*

leaders often act against what the electorate wants. In the current EU setup, member states are reluctant to give the EU more power, and many continue to scapegoat Brussels when convenient, while taking credit when things go well. These same leaders sit on the EU Council and make key decisions." Ms. Krumbmüller emphasized that the EU must find ways to implement reforms aimed at enhancing unity without requiring treaty changes, as such changes are exceedingly difficult to achieve. She said, *"Significant reforms, like changing the way voting happens or redefining central competencies, would require treaty changes. The last treaty change was nearly impossible, and given the current political climate, the prospect of doing so now is even more remote. Any future reforms in the EU need to be achievable without requiring treaty changes."*

- **Europe needs a stronger global perspective.** EU competition law emphasizes maintaining competition within the EU internal market, often at the expense of fostering international capabilities. Its merger control rules frequently hinder the growth of "European champions"—large European companies that can compete on the global stage. A notable example is the blocked Siemens-Alstom merger in 2019, which prevented the formation of a European rail giant that could rival China's CRRC. Additionally, strict state aid regulations limit member states' support for strategic industries, placing them at a disadvantage compared to global competitors. Designed to protect consumers, these rules against dominant market positions can limit the ability of European firms to scale up and compete with global giants.

  The appointment of Teresa Ribera as the new EU competition commissioner highlights a continued focus on internal EU priorities, potentially, in the view of some members, at the expense of global competitiveness. Her mission letter emphasizes the need for state aid frameworks in renewable energy and industrial decarbonization within the EU, aligning competition policy with EU sectoral policies like agriculture. *"One indication of the problem is that the European Commission's competition commissioner is focused on internal matters between member countries, rather than looking at the global perspective,"* one member lamented. *"One of my main criticisms is that we don't fully understand global competition—we're too focused internally."*

Appendix 1: Participants

The following members participated in all or part of the meeting:

Philip Broadley, AstraZeneca
Christine Catasta, Erste Group Bank
Laurence Debroux, Novo Nordisk, Exor, and Randstad
Catherine Guillouard, Airbus and Air Liquide
Monika Kircher, RWE
Dagmar Kollmann, Deutsche Telekom
Jennifer Li, SAP
Benoît Maes, Bouygues
Larry Quinlan, Jones Lang LaSalle (Audit Committee Leadership Network (US) Member)
Natalie Rachou, Alumnus
Maria van der Hoeven, TotalEnergies

The following members participated virtually in part of the EACLN meeting:

Ana de Pro Gonzalo, STMicroelectronics
Liz Doherty, Novartis and Philips
Margarete Haase, ING
Anne-Francoise Nesmes, Compass Group
Alexandra Schaapveld, Société Générale

EY was represented by the following in all or part of meeting:

Marie-Laure Delarue, Assurance, Global Vice Chair, EY
Hermann Sidhu, EMEIA Assurance Leader, EY

Endnotes

[1] *Summary of Themes* reflects the network's use of a modified version of the Chatham House Rule whereby names of members and their company affiliations are a matter of public record, but comments are not attributed to individuals or corporations. Quotations in italics are drawn directly from members and guests in connection with the meeting but may be edited for clarity.

[2] Mario Draghi, "EU Competitiveness: Looking Ahead," European Commission, September 9, 2024.

[3] Enrico Letta, "Much More Than a Market," the Council of the European Union, April 18, 2024.

[4] Hanne Jesca Bax, Marc Lhermitte, Julie Linn Teigland, "EY Attractiveness Survey Europe," EY, June, 2024.